Tab 48

New Jersey's Clean Energy Program Report
submitted to the
New Jersey Board of Public Utilities

April 9, 2007

Reporting Period:
Year-to-Date through Fourth Quarter 2006
(January 1, 2006 through December 31, 2006)

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1. Executive Summary

This document represents the twenty second report of the results of New Jersey's Clean Energy Program, administered by the New Jersey Board of Public Utilities' (the "Board" or "NJBPU") Office of Clean Energy. Included are financial, participation, energy savings/generation and emissions reduction data for the energy efficiency and renewable energy programs. Through the end of 2006, the energy efficiency programs were managed by New Jersey's seven investor-owned electric and natural gas utilities, the NJ Department of Community Affairs, and the NJ Department of Environmental Protection. The renewable energy programs were managed by the Office of Clean Energy in partnership with the NJ Economic Development Authority.

The success of these programs has been well documented in twenty one previous quarterly reports and annual reports for 2001through 2005. This report captures the progress of the clean energy programs in place during the period from January 1, 2006 to December 31, 2006.

The Board is in the process of transitioning management of many of the programs from the utilities and the Office of Clean Energy to Market Managers selected through a competitive procurement process. On October 19, 2006, Honeywell International, Inc. was awarded a contract to manage the residential energy efficiency and renewable energy programs, and TRC Energy Services was awarded a contract to manage the commercial and industrial energy efficiency programs. Both firms commenced transition activities upon award of the contracts. However, as of the end of 2006, no program had been transitioned to Honeywell or TRC and no payments were made to either entity.

The report provides highlights of each program for the reporting period. In addition, Appendix 1 provides relevant notes and definitions and Appendix 2 includes detailed worksheets that show:

1. Expenditures compared to budgets for each program and for each entity that manages a program or a portion of a program;
2. Expenditures broken down by specific expense categories (e.g., administration, marketing and direct incentives);
3. Annual, lifetime and cumulative lifetime (since program inception):
   a. electric and natural gas energy savings and demand reductions;
   b. CHP electric capacity and generation; and
   c. Renewable energy capacity and generation; and
4. Annual, lifetime and cumulative lifetime emissions reductions for Carbon Dioxide (CO2), Nitric Oxide (NOX), Sulfur Dioxide (SO2) and Mercury (Hg)

The following tables summarize the program results reported in Appendix 2.

Table 1 includes program budgets, actual spending year-to-date and commitments for the energy efficiency programs, the renewable energy programs and for the Office of Clean Energy program administration costs which include costs for the OCE's marketing and communications efforts and for evaluation activities. Committed expenditures in Table 1 represent firm commitments for incentives that will be paid upon project completion, which for certain programs such as the

Residential New Construction and CORE Programs could be up to two years after the commitment is made. Committed expenses are paid out of the budget in the year the project is completed.

Table 1: Budgets and Expenditures

Summary of Statewide Results as of December 31, 2006
Budget and Expenditures

(000s)		Expenses		
	Budget	Actual	Committed	Total
Energy Efficiency (EE)	$128,645	$79,642	$60,233	$139,875
Renewable Energy (RE)	$170,562	$84,279	$103,901	$188,179
OCE Administration	$9,907	$7,276		$7,276
Total	$309,114	$171,197	$164,134	$335,330

Table 2 below includes program budgets, actual spending year-to-date and commitments for the energy efficiency programs.

Table 2: Energy Efficiency Program Budgets and YTD Expenses

Summary of Statewide Results as of December 31, 2006
Energy Efficiency Program Budgets and YTD Expenditures

(000s)

Program	Budget	Expenses		
		Actual	Committed	Total
RESIDENTIAL PROGRAMS				
Residential HVAC-Electric and Gas	$16,705	$14,849		$14,849
Residential New Construction	$27,720	$19,728	$42,932	$62,660
ENERGY STAR Products				
Maintenance	$1,054	$606		$606
Room AC	$875	$481		$481
Change a Light & Other	$1,320	-$68		-$68
On Line Audit	$870	$395		$395
Home Performance with ENERGY STAR	$3,595	$1,952		$1,952
Residential Low Income				
Utility Comfort Partners	$21,330	$16,557		$16,557
WRAP	$200	$0		$0
DCA Low-Income	$3,725	$1,652		$1,652
DCA Green Homes	$1,600	$0		$0
Energy Conservation Kits	$607	$371		$371
Sub-Total: Residential Programs	***$79,601***	***$56,524***	***$42,932***	***$99,456***
COMMERCIAL & INDUSTRIAL PROGRAMS				
Commercial/Industrial Construction				
C&I New Construction	$3,811	$1,422	$1,463	$2,885
C&I Retrofit	$25,180	$16,973	$8,178	$25,151
New School Construction & Retrofit	$3,872	$1,672	$1,113	$2,786
Combined Heat and Power	$6,681	$1,875	$4,429	$6,304
Sub-Total: C&I Programs	***$39,544***	***$21,943***	***$15,183***	***$37,126***
OTHER PROGRAMS				
Special Studies	$1,000	$52		$52
NJDEP Cool Cities	$4,000	$1,123	$2,118	$3,241
Treasury HVAC	$4,500	$0	$0	$0
Sub-Total: Other Programs	***$9,500***	***$1,175***	***$2,118***	***$3,293***
TOTAL Energy Efficiency Programs	**$128,645**	**$79,642**	**$60,233**	**$139,875**

Table 3 below includes program budgets, actual spending year-to-date and commitments for the renewable energy programs.

Table 3: Renewable Energy Program Budgets and YTD Expenses

Summary of Statewide Results as of December 31, 2006
Renewable Energy Program Budgets and YTD Expenditures

(000s)

Program	Budget	Expenses		
		Actual	Committed	Total
OCE RENEWABLE PROGRAMS				
Customer On-Site Renewable Energy (CORE)	$148,796	$82,723	$95,233	$177,955
CleanPower Choice	$1,933	$1,150	$0	$1,150
Sub-Total: OCE Renewable Programs	***$150,729***	***$83,873***	***$95,233***	***$179,105***
EDA RENEWABLE PROGRAMS				
Manufacturing Incentive	$30	$6	$0	$6
Public Entity Financing (RE)	$6	$6	$0	$6
Clean Energy Financing for Businesses	$15	$29	$0	$29
RE Project Grants and Financing (Incl. NJBPU	$11,782	$203	$7,956	$8,159
Renewable Energy Business Venture	$8,000	$162	$712	$874
Sub-Total: EDA Renewable Programs	***$19,833***	***$406***	***$8,668***	***$9,074***
TOTAL Renewable Energy Programs	**$170,562**	**$84,279**	**$103,901**	**$188,179**

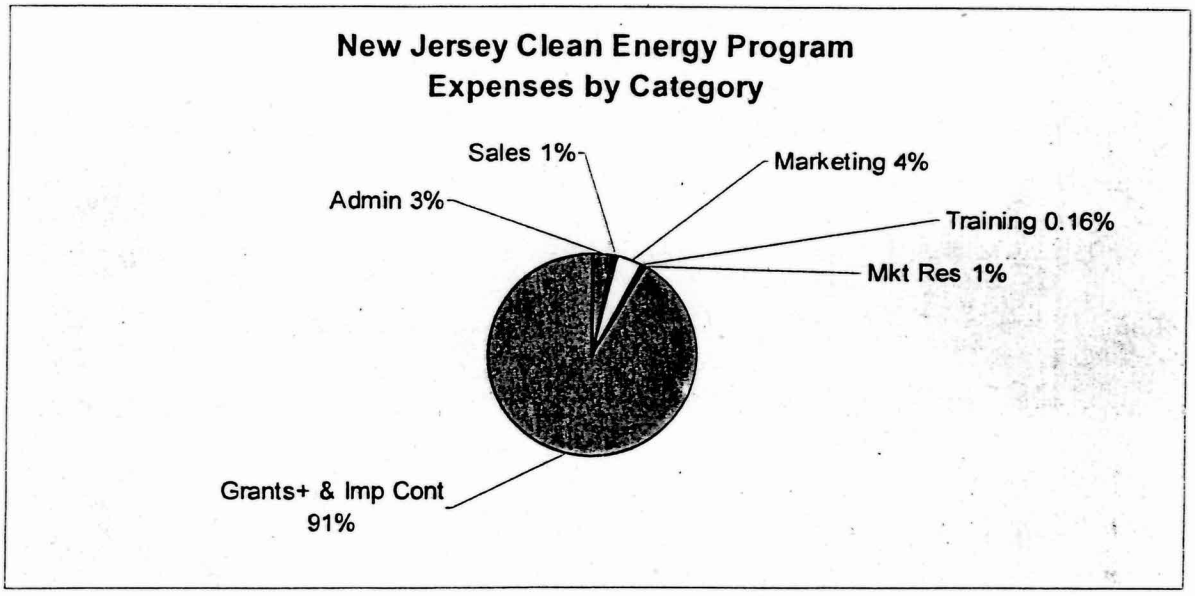
The Office of Clean Energy (OCE) strives to minimize administration costs thereby maximizing the percentage of funding spent on direct incentives for the installation of energy efficiency and renewable energy measures. Table 4, below, compares the OCE's actual expenditures with its approved budget for program oversight.

Table 4: Office of Clean Energy Program Oversight Expenses

Summary Statewide Results as of December 31, 2006
Office of Clean Energy Program Oversight Expenses

(000s)	Budget	Actual
Adminstration and Overhead Expenses	$2,835	$1,580
Evaluation and Related Research Expenses	$1,905	$1,292
Outreach and Education Expenses	$5,167	$4,404
TOTAL OCE Program Oversight	**$9,907**	**$7,276**

Table 5: Expenditures by Expense Category



As shown in Table 5, above, 91% of 2006 expenditures were direct incentives to customers. These include grants and incentives, which include customer rebates, grants and demonstration projects, and implementation contractor expenditures, which include the cost of contracted services for delivery of measures including installation, materials, application processing and inspections.

As noted above, the worksheets provided in Appendix 2 include detailed energy savings data, Combined Heat and Power (CHP) generation data and renewable energy generation data by program. The annual and lifetime savings/generation data are for measures installed in 2006; the cumulative lifetime savings/generation are for measures installed since the programs were initiated, most in 2001. Savings include reductions in electric energy and natural gas usage as well as reductions in electric capacity requirements. CHP and renewable energy generation include both electric generation and capacity.

Annual savings/generation is equal to the annual savings/generation of any measure installed in 2006. The lifetime savings/generation is the expected savings/generation over the expected life of a measure installed in 2006. Measure lives range from 6 years for certain lighting such as CFLs to 25 years for renewable energy systems and new home measures. In calculating cumulative lifetime savings the lifetime savings from measures installed in 2006 are added to the lifetime savings of measures installed in the years 2001 through 2005.

Table 6 below summarizes annual, lifetime and cumulative lifetime energy savings, CHP generation and renewable energy generation from measures installed in 2006 and since the programs' inception in 2001.

Table 6: Energy Savings/Energy Capacity and Generation

Summary of Statewide Results as of December 31, 2006
Energy Savings/Energy Capacity and Generation

	Actual	Committed	Total
Annual			
MWh Saved (EE)	126,551	65,094	191,645
Dekatherms Saved (EE)	640,178	689,799	1,329,977
MWh Generated			
Combined Heat and Power	12,575	0	12,575
Renewable Energy (RE)	68,869	74,909	143,778
Lifetime			
MWh Saved (EE)	1,935,790	1,021,937	2,957,727
Dekatherms Saved (EE)	9,137,228	6,832,628	15,969,856
MWh Generated			
Combined Heat and Power	112,759	0	112,759
Renewable Energy (RE)	812,550	904,290	1,716,840
Cumulative			
MWh Saved (EE)	16,812,501	9,167,999	25,980,500
Dekatherms Saved (EE)	47,964,542	58,765,860	106,730,402
MWh Generated			
Combined Heat and Power	124,257	729,628	853,884
Renewable Energy (RE)	1,600,949	3,665,687	5,266,636

Reducing electric and natural gas usage and generating electricity using renewable sources of electricity reduces the greenhouse gases that would have been emitted if the saved electricity or natural gas was otherwise used or if the electricity was generated on the electric grid. CHP projects also reduce greenhouse gas emissions, since they tend to use cleaner technologies that produce fewer emissions than if the electricity was generated by the grid. Table 7 below summarizes the emission reductions that result from the installation of program measures.

Table 7: Summary Annual Emission Reductions

Summary of Statewide Results as of December 31, 2006
Annual Emissions Reductions

	Electric Programs	Gas Programs	All Programs
CO2 *(Metric Tons)*			
Energy Efficiency (EE)	87,137	34,046	121,183
Renewable Energy (RE)	32,252	N/A	32,252
Total	119,389	34,046	153,435
NOX *(Metric Tons)*			
Energy Efficiency (EE)	161	27	187
Renewable Energy (RE)	59	N/A	59
Total	220	27	247
SO2 *(Metric Tons)*			
Energy Efficiency (EE)	373	N/A	373
Renewable Energy (RE)	138	N/A	138
Total	511	N/A	511
Hg *(Pounds)*			
Energy Efficiency (EE)	4	N/A	4
Renewable Energy (RE)	2	N/A	2
Total	6	N/A	6

Additional information about New Jersey's Clean Energy Program can be found at www.njcleanenergy.com.

II. Introduction

This document represents the twenty second report of the results of the New Jersey's Clean Energy Program. With its 2001 Comprehensive Resource Analysis ("CRA") Order[1], the Board required the implementation of new energy efficiency programs to replace existing Demand Side Management ("DSM") programs, and the development of programs to foster new clean energy resources, such as those provided by renewable energy sources. Included in this report are financial, participation, energy savings and emissions reduction data for the energy efficiency and renewable energy programs that are managed by New Jersey's seven investor-owned electric and natural gas utilities, i.e., Atlantic City Electric Company ("ACE"), Jersey Central Power & Light Co. ("JCP&L"), New Jersey Natural Gas Co. ("NJNG"), Elizabethtown Gas Co. ("E-Town"), Public Service Electric & Gas Co. ("PSE&G"), Rockland Electric Co. ("RECo"), and South Jersey Gas Co. ("SJG"), by the NJ Department of Community Affairs, by the NJ Department of Environmental Protection, by the NJ Economic Development Authority and by the Board's Office of Clean Energy. The success of these programs has been well documented in twenty previous quarterly reports and annual reports for 2001 through 2005.

The programs and related budgets for the 2006 operating year are presented here. The final 2006 budgets were approved by the Board in an Order dated December 22, 2006.

The data worksheets included here as Appendix 2 have been formatted to reflect the Board's actions in adding, deleting or modifying the line up of programs offered. In addition, the budget figures reported on those worksheets are the same as those approved by the Board, as modified since issuance of its initial 2006 budget Order. Program financial results for the period from January 1, 2006 through December 31, 2006 are measured against those budgets.

Overall, for 2006, the approved programs resulted in 126,551 MWh and 640,178 dekatherms of reduced annual energy requirements for the homes and businesses of New Jersey, and CO_2 emissions have been reduced by 153,435 metric tons annually. These energy savings are in addition to those annual savings generated by the programs in 2001 through 2005, and over the expected cumulative lifetime of the measures installed since inception of the programs these savings are expected to grow to 16,812,501 MWh and 47,964,542 dekatherms.

In addition, it is expected that over the cumulative lifetime of the projects currently installed and operating the CHP and renewable energy programs will generate 124,257 and 1,600,949 MWhs of electrical power, respectively.

Finally, there also remain outstanding 16,964 commitments for new homes to be constructed in compliance with the high standards of the New Jersey ENERGY STAR® Homes Program, 187 commitments for commercial and industrial construction projects to be completed in accordance with the requirements of the New Jersey SmartStart Buildings® Program, 933 commitments for buildings to be retrofit in accordance with the terms of the same SmartStart program, and 102

[1] *In the Matter of the Petition of the Filings of the Comprehensive Resource Analysis of Energy Programs Pursuant to Section 12 of the Electric Discount and Energy Competition Act of 1999*, BPU Docket Nos.: EX99050347, EO99050348, EO99050349, EO99050350, EO99050351, GO99050352, GO99050353, and GO99050354, issued March 9, 2001.

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to the ACP and SACP levels including those surrounding the imbalance between the RPS solar goals and NJCEP funding level with a deadline of December 11, 2006. On November 13, staff and the authors of four transition model whitepapers participated in a roundtable discussion attended by over 60 interested stakeholders at Monmouth College.

On October 20, 2006, a contract for program management services was signed with Honeywell to serve as Renewable Energy Market Manager.

Renewable Energy Project Grants and Finance Program
(formerly known as the Renewable Energy Advanced Power program and the Grid Supply Program)

During the fourth quarter of 2006, the Office of Clean Energy (OCE) continued to process proposals previously received under the REAP and GRID Supply programs. In 2005, the program formerly titled Renewable Energy Advanced Power Plant Program (REAP) was renamed Renewable Energy Project Grants and Financing. Prior to this the program was called the Grid Supply Program. Grid Supply projects will be paid out of Clean Energy Program funds in a New Jersey Economic Development Authority (EDA) account.

Two projects submitted under the Grid Supply Program were awarded funding. The Jersey Atlantic Wind Farm project is completed and generating energy. The Burlington County Landfill Gas to Energy Project is still under development. Each is described below.

Of the four project proposals submitted under the REAP program, the AC Landfill Unit I project received a $513,225 grant in 2005. The Ocean and Warren County projects were approved by the Board in November 2006 and the Rahway Valley Sewerage Authority (RVSA) project will be presented to the Board for approval during the first quarter 2007. The AC Landfill project submitted a proposal for a second unit, but the request came in after the REAP solicitation had been closed. Due to the consistency with which applicants were submitting project proposals that were cost effective without NJCEP subsidy, staff withdrew the solicitation from the website and directed the Renewable Energy Market Assessment subcontractor to review the program design. The AC Landfill request for additional subsidy will be reviewed after the Market Assessment is released in the second to third quarter 2007.

In response to the impressive economics presented by each of the three latest proposals submitted in the REAP program, the Office of Clean Energy asked the applicants for additional financial data. OCE with the Board's Office of the Economist reviewed the rate of return and payback periods for each proposal to ensure these projects fell in line with Board directives. After the internal reviews were completed, OCE met with the project developers to finalize award amounts. The Ocean and Warren County projects were presented to the Board for approval during the November 9, 2006 Agenda meeting. The RVSA's proposal for a 1.515 MW biogas facility will be presented to the Board during the first quarter of 2007.

On July 6, 2005, the Rahway Valley Sewerage Authority (RSVA) proposed a combination Cogeneration and Sludge Drying Facility utilizing digester gas fuel. RVSA originally requested a 20% grant of $1,360,000. RVSA revised their grant request to $847,554 because of reduced project costs. The revised request is under review.

WC Landfill Energy, LLC submitted a landfill gas to energy project proposal on April 19, 2005. The applicant requested a $1,533,759 grant (20% of capital cost). This project received conditional NJDEP permit approval on December 16, 2005 and the EDA sent a favorable recommendation on January 17, 2006. The Board approved a grant award of $1.2 million at its November 9, 2006 agenda meeting. This project has been installed and awaits a project funding agreement form the EDA.

Ocean Energy Corporation, Inc. (OECI) proposed a 9.6 MW landfill gas to energy project to be located at the Ocean County Landfill Facility on December 12, 2003. The Board approved a grant award of $1.75 million at the November 9, 2006 agenda meeting.

Under the Grid Supply Program, five proposals were submitted in June of 2002 in response to the Board's solicitation for projects to supply the PJM Power Pool. Two projects have been completed, two were terminated for lack of progress at the applicants' request, and one is still under development.

The Community Energy 7.5 MW Jersey Atlantic Wind (JAW) Project located on the site of the Atlantic County Utility Authority's sewerage treatment plant was completed in December 2005. The project is estimated produce 15 million kilowatt-hours of emission-free electricity per year. From the project's operational date of December 31, 2005, three production-based payments were paid under the Grid Supply portion of the project totaling $173,759. The 5 turbine, 7.5 MW project is the first wind farm in New Jersey and the largest coastal wind farm in the United States. The project is easily visible from downtown Atlantic City and the Atlantic City Expressway providing visitors a remarkable example of New Jersey's commitment to clean energy.

The Burlington County 4 MW landfill gas to energy project has prepared and submitted additional engineering estimates identifying significant potential to expand the project to 6.15 MW. In December 2005, the Board reassigned the project from PSEG Energy Technologies to the County of Burlington. The project grant agreement has been developed and Clean Energy fund payments will be made by the EDA upon presentation of itemized expenses. The grant agreement was finalized and signed by Burlington County and the Board in March 2006. This project is scheduled to be completed in 2007.

Renewable Energy Business Venture Assistance Program
(formerly known as the Renewable Energy Economic Development program and the Market Infrastructure Development Program)

On October 21, 2005, the OCE released a new solicitation under the Renewable Energy Business Venture Assistance Program. The revised program had both a grant component for demonstration projects and a recoverable grant component for products and services close to commercialization. The Office of Clean Energy announced approximately $5.0 million available for this solicitation split evenly between the two types of funding. On December 1, 2005, the OCE held a pre-proposal informational meeting in Newark. Demonstration grant project proposals were due by December 30, 2005. With the solicitation release and announcement on the NJCEP website, the Office of Clean Energy communicated the intent to accept recoverable

grant proposals through out 2006. Applicants were encouraged to use these funds with other EDA business assistance programs.

By December 31, 2005, the Office of Clean Energy had received 15 project proposals. Thirteen applicants requested grants, one requested a recoverable grant and another requested both types of funding. Two additional proposals for recoverable grants were received in the first quarter of 2006 and a third was received in the second quarter.

Upon receipt, staff conducted a review of the grant proposals for their adequacy in meeting minimum program requirements. As a result of this review, eight applications were found to be deficient with six funding denial letters being sent to applicants in the first quarter of 2006 and two additional funding denial letters sent in the second quarter. The applications that were found to meet the solicitation's minimum requirements were delivered to an external, technical evaluation team in the second quarter. The proposal evaluation team headed by the NJDEP includes the NJ Commission on Science and Technology and the NJEDA. The USDOE Mid-Atlantic Office was not able to participate as a team member for this round of reviews due to the office closing in June 2006. The USDOE's National Technology Energy Laboratory was able to take the place of the Mid-Atlantic field office. The Oak Ridge National Laboratory, as part of their Technical Assistance Program, agreed to serve on the Technical Evaluation team. All team members were sent the proposal evaluation packages on June 27, 2006 with a requested due date for project review by August 1, 2006. The OCE received all the proposal evaluations by August 15, 2006. The OCE has reviewed the applications and the recommendations of the technical review team and shared this information with the new Renewable Energy Market Managers. The Office of Clean Energy expects the Board to make final award decisions in the first quarter of 2007.

A portion of the budget for the Renewable Energy Business Venture Assistance Program was used in 2005 as a direct loan to PJM Environmental Information Services, Inc. (PJM EIS), to finance the capital costs for the Generation Attributes Tracking System (GATS). The total loan amount was $2,222,000 which includes $1,600,000 for software development, hardware and related start-up costs; $600,000 for an operating reserve fund to provide working capital for PJM EIS, and $22,000 to pay EDA fees. PJM EIS was expected to begin paying the loan back with interest in October 2006. The GATS system went on line in September 2005.

In 2003, just under $2,700,000 in grants were awarded or committed to ten renewable energy businesses as part of the OCE's Market Infrastructure Development Program, predecessor to the REED (Renewable Energy and Economic Development) Program. The grants were awarded to promote renewable energy business development in the State. The final project was completed in October 2006 with two other projects completed earlier in 2006.

For the 2004 REED solicitation, $6.35 million in recoverable grant funds were available. The awarded applicants will be required to repay the funds when their business ventures start generating revenue. Nine proposals were submitted requesting a total of $3.14 million. Two projects met initial program requirements and were sent to EDA for financial review while the remaining seven proposals were rejected for not meeting the program requirements. OCE

received favorable EDA recommendations for the two projects in October 2005. In February 2006, the Board approved a total of $763,429 in recoverable grant awards. The EDA has prepared the funding agreements which are under review. Princeton Power Systems (PPS) signed their agreement for $263,429 in recoverable grant funding in September 2006. A funding agreement with Reaction Sciences is currently under review.

EDA Financing Programs

In 2003, the Board approved three new financing programs to be managed by the NJ Economic Development Authority: Schools and Local Government Financing, Business Financing, and the Renewable Energy Advanced Power Program (REAP) which is discussed above. The Clean Energy Financing Program for Businesses and for Schools and Local Government programs were discontinued in the first quarter of 2006 due to lack of activity.

To fund the EDA finance programs, the utilities forwarded to the EDA $19,909,434.50 in 2003 and 2004. At the end of the fourth quarter 2006, there was $16,544,095 remaining in the account. During 2006 the funds earned $880,947.46 in interest and the OCE paid the EDA $99,600 in fees. In the first quarter of 2006, the BPU met with the EDA to discuss revisions to the 2003 MOU to better reflect the current relationship between the agencies.

3. Financial and Energy Savings/Generation Results

OCE RENEWABLE PROGRAMS

2006 Program Budget : $150,729,000

2006 YTD Actual Expenditures : $83,872,682

Actual "Participants"	Annual Energy Generation	
	MWh	kW
9,872	44,659	18,725

EDA RENEWABLE PROGRAMS

2006 Program Budget : $19,833,000

2006 YTD Actual Expenditures : $406,000

Actual "Participants"	Annual Energy Generation	
	MWh	kW
4	24,210	9,100